

January 21, 2025

Clinton Jones, General Counsel
Federal Housing Finance Agency
400 Seventh Street SW
Washington, DC 20219

Via [Open for Comment or Input Page](#)

Re: RIN 2590-AB24 – Ceres Response to [[Federal Home Loan Bank System Boards of Directors and Executive Management](#)]

Dear General Counsel Jones:

It is a pleasure to submit comments on behalf of [Ceres](#) and the Ceres [Accelerator for Sustainable Capital Markets](#). Ceres is a nonprofit advocacy organization with over 30 years of experience working to accelerate the transition to a cleaner, more just, and sustainable world. Our [Investor Network](#) currently includes over 220 institutional investors that collectively manage over \$40 trillion in assets. Our [Company Network](#) includes 50 major corporations representing industries and sectors across the economy with whom we work on an in-depth basis on climate strategy and disclosure, among other issues. Our [Policy Network](#) includes some of the most well-known brands in the U.S. with whom we work on a range of state and federal policy issues.

The Accelerator aims to transform the practices and policies that govern capital markets by engaging federal and state regulators, financial institutions, investors, and corporate boards to act on climate change as a systemic financial risk. The comments provided herein represent only the opinions of Ceres, and do not necessarily infer endorsement by each member of our Investor, Company, or Policy networks.

While we are writing this, we are heartbroken by the impact of the Los Angeles fires and the impact on thousands of families. We hope Los Angeles and the surrounding areas can heal after these devastating wildfires.

I. INTRODUCTION

Below we provide our comments in support of the proposed rule. We focus specifically on the portion related to board members' knowledge and experience. We support the notion of including climate risk knowledge and experience as one of the areas the FHLBanks should incorporate.

Ceres engages with numerous board members, including a significant number of individuals on the boards of financial institutions, to understand their concerns and challenges related to climate risks and sustainability. Ceres' focus on board engagement, management engagement, and training has allowed Ceres to develop [thought leadership](#) around board oversight of climate risks and opportunities, which includes financial institutions.

We previously partnered with [Berkeley School of Law](#) and are currently collaborating with the [Michigan Ross School of Business](#) to provide Board Member and C-suite executives the essential climate and sustainability skills needed by every board member in today's rapidly evolving board rooms. In August 2023, we published a report on [Responsible Policy Engagement Benchmarking for Banks](#) which provides a benchmark analysis examining the climate-related risk management, governance, and lobbying practices of 13 of the largest banks operating in the United States. In 2024, Ceres submitted [comments](#) to the FHFA on the FHLBank's Core Mission Activities and Mission Achievement. In 2023, Ceres submitted [comments](#) on FHLBank System at 100: Focusing on the Future (2023) - Climate Resiliency: Preparedness and Response, and Risk Management Considerations. Our Managing Director, Steven Rothstein, provided [remarks](#) during the FHLBank System at 100: Focusing on the Future Roundtable Discussion in March 2023.

Below, we provide our comments on the Federal Home Loan Bank System Boards of Directors and Executive Management RFI. We appreciate the Federal Home Loan Bank System's consideration of our feedback.

II. RESPONSE TO DIRECTOR ELIGIBILITY PROPOSAL

We strongly support the proposal to include climate expertise as one of the additional areas of qualifying experience. Board members' expertise is [essential](#) in ensuring the Board's strategic oversight and its ability to address emerging challenges and drive long-term value creation. Climate risk, especially costly natural disasters, imposes growing financial risk on FHLBank's portfolio. Therefore, adding climate expertise as one of the board member eligibility areas is necessary to fulfill FHLBank's mission to provide reliable liquidity to support housing finance and community investment.

Both financial institutions and the FHLBanks are at risk for experiencing the shocks of climate-related risks. Climate risk – which represents the potential financial losses associated with physical and transition risks resulting from climate change – poses significant financial risks to the nation's housing and mortgage markets. Both physical and transition risk can result in significant financial losses for FHLBanks and their members and jeopardize affordable housing goals. In 2023, [2.5 million people](#) were displaced from their homes as a result of weather disasters. In 2024, there were [27 confirmed weather disaster events with losses exceeding \\$1 billion dollars](#). Due to the shocks from extreme weather events, it is imperative that FHLBank board members are aware of climate-related risks as it relates to their duty to serve as a board member.

The increasing challenges of climate risk faced by institutions require additional skills and experience on the part of directors to effectively address these emerging risks. Climate and sustainability expertise for board members is as essential to their skill sets as expertise in accounting, derivatives, or organizational management. Failure to consider material climate-related risks could [implicate](#) a board member's or director's fiduciary duties, in the same manner failure to address other material risks could violate their duties of care, loyalty, and obedience.

The FHLBanks' [mission](#) is to provide their member banks with a reliable source of funding for housing finance, community lending, and asset-liability management as well as liquidity for

members' short-term needs. In practice, this includes protecting their members from financial risks such as credit and liquidity risk. Additionally, we would like to highlight that in its [Focusing on the Future Report and Annual Performance Plan](#) for Fiscal Year 2024, the agency noted that it “plans to issue guidance for the FHLBanks to begin incorporating climate resiliency efforts into their core businesses, as well as in their AHP and voluntary and pilot programs,” and “will develop and publish FHLBank guidance on climate risk.”

In sum, we urge and fully support the FHFA to incorporate climate-related risk into the FHLBank board member's areas of expertise to support the FHLBank's continued safety and soundness and ensure the System can meet ongoing housing and community development needs.

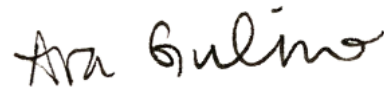
III. CONCLUSION

We thank the FHFA for the opportunity to comment on this proposed rulemaking regarding updates to the FHLBanks' Systems Board of Directors Executive Management. We believe the inclusion of climate-related risk knowledge for the FHLBank's board of directors is critical as it ensures a well-rounded and knowledgeable board. We would be pleased to discuss any questions you may have on our feedback. Please contact Holly Li (hli@ceres.org) or Ava Gulino (agulino@ceres.org) at your convenience.

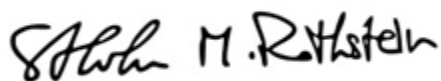
Sincerely,



Holly Li
Program Director, Net Zero Finance
Ceres Accelerator



Ava Gulino
Associate
Ceres Accelerator



Steven Rothstein
Managing Director
Ceres Accelerator